

NEVADA SECRETARY OF STATE Quarterly Economic & Business Activity Report



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Q3 2012

Employment



vs. prior
quarter



vs. prior
year

New Entity Filings



vs. prior
quarter



vs. prior
year

Total List Filings



vs. prior
quarter



vs. prior
year

Unemployment



vs. prior
quarter



vs. prior
year



The Quarterly Economic & Business Activity Report provides a quarterly review and analysis of trends in economic and business activities. It is intended to provide a unique perspective on business investments and market conditions within the State of Nevada. Data contained herein is sourced to the Nevada Secretary of State and other reporting agencies, including the Nevada Department of Employment, Training and Rehabilitation.

Business Entity Filings Slow Heading into Fiscal Cliff Employment Growth Remains in Positive Territory

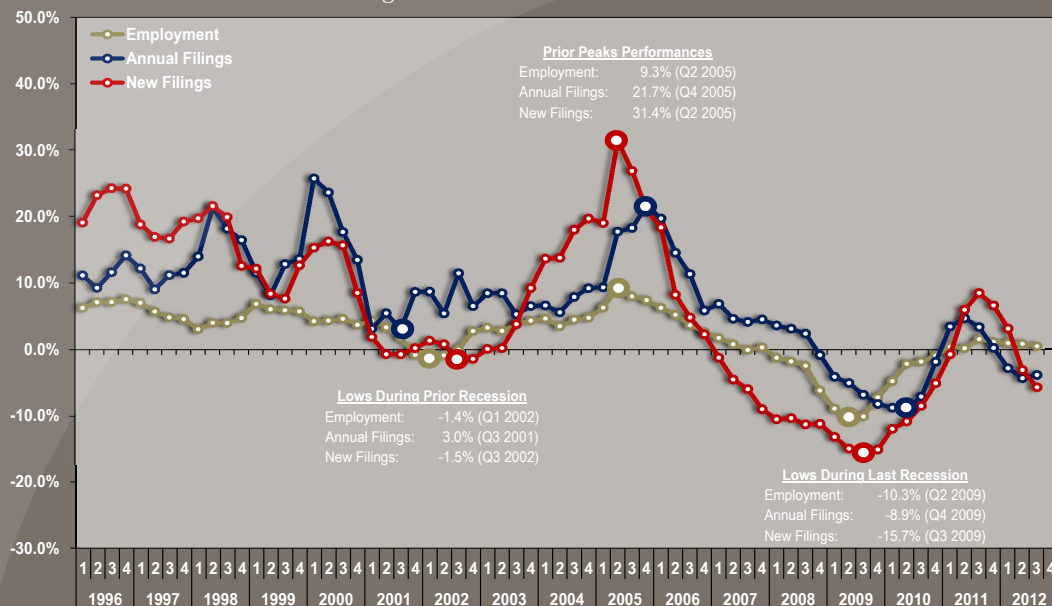
New Entity Filings *[Leading Indicator]*

- During the third quarter of 2012, there were 13,081 new business entity filings. Compared to the prior quarter (Q2 2012), new filings declined by 8.4 percent, and they declined by 6.9 percent when compared to the prior year (Q3 2011). In the past four quarters, there have been 56,013 new business filings, down 5.6 percent when compared to the previous year.
- Domestic (Nevada) new filings totaled 12,113 in the third quarter, down 7.6 percent from last year, with Limited Liability Companies ("LLCs") driving much of the decline (-8.8 percent). Limited Partnership ("LP") filings, while a relatively small share of the total, reported the greatest year-over-year decline, falling 39.0 percent to 147.
- Foreign (non-Nevada) new filings increased 2.5 percent year-over-year to 968. Corporations and LLCs represented the majority of foreign filings, with each reporting 474 in the period. Compared to last year, corporation filings fell 7.1 percent, while LLC filings increased 15.6 percent.

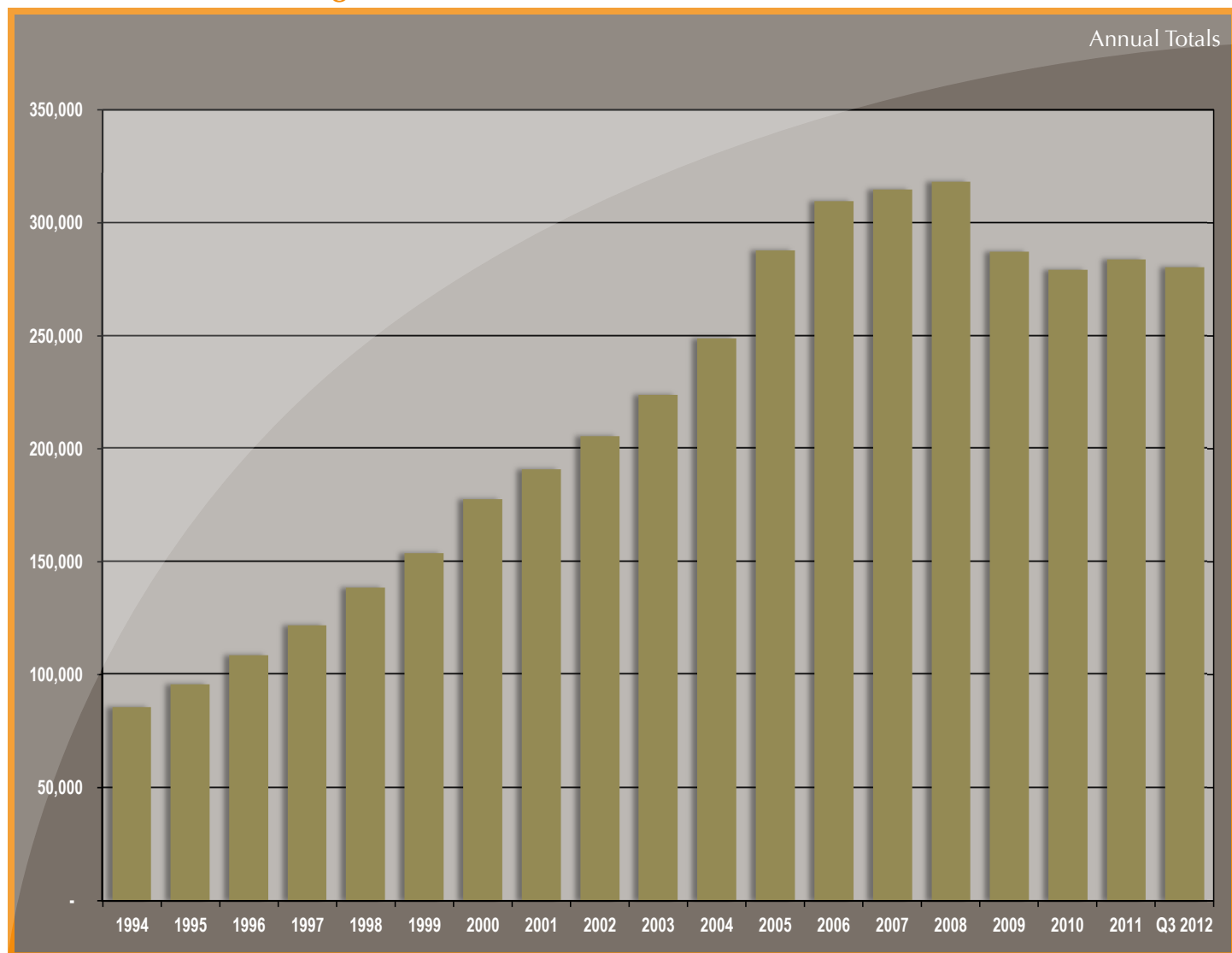
Total List Filings *[Lagging Indicator]*

- Initial, annual and amended lists filed during the third quarter of 2012 totaled 67,391, down 8.0 percent from last quarter and off 2.2 percent from last year. LPs reported the greatest year-over-year decline, falling 8.2 percent to 3,099 and Corporation filings fell 4.0 percent to 30,405. The number of LLC filings totaled 33,590, down a modest 0.2 percent on a year-over-year basis.
- A total of 283,941 entities filed lists during the trailing four quarters ending September 2012. Since last year, the total has fallen 3.8 percent. Corporation filings totaled 129,813 for the period, down 5.9 percent from last year, while LLCs fell 1.1 percent to 139,342.
- As of September of 2012, 280,573 entities were considered to be in "good standing", down 1.8 percent from last year.

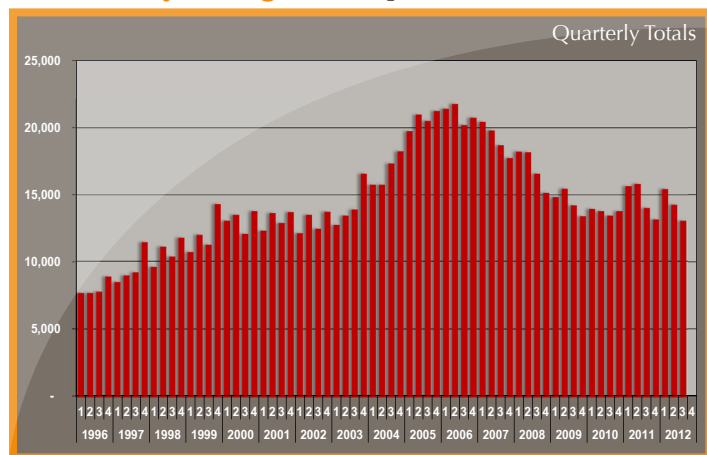
NEVADA EMPLOYMENT AND FILING COMPARATIVE ANALYSIS Trailing 12-Month Annual Growth Rates



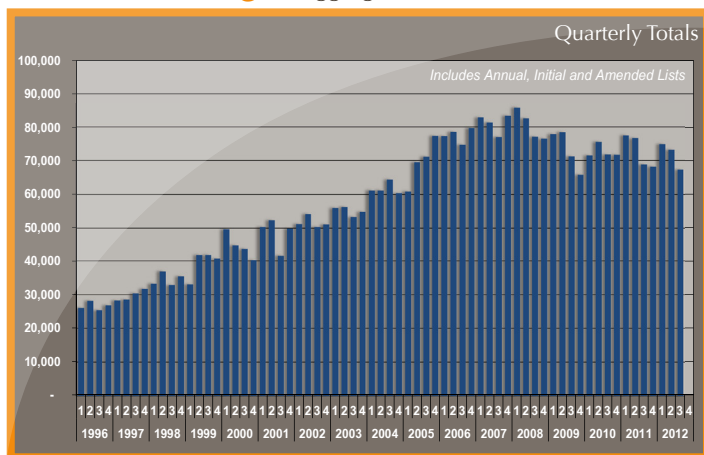
Entities in Good Standing



New Entity Filings [Leading Indicator]



Total List Filings [Lagging Indicator]



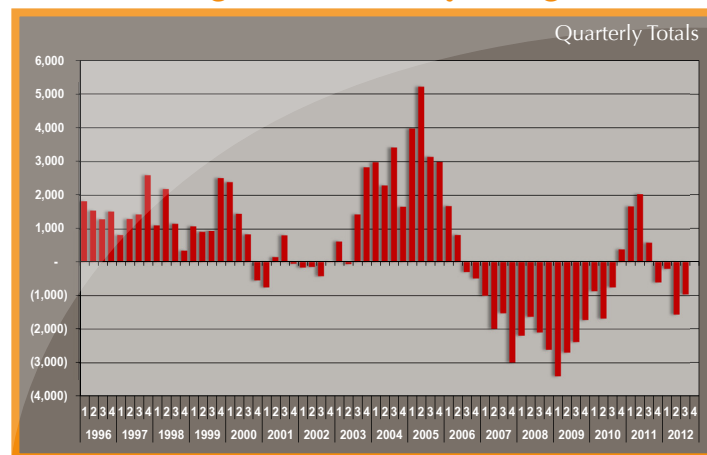
Quarterly Indicators ^[1]

Three Months Ended September 2012

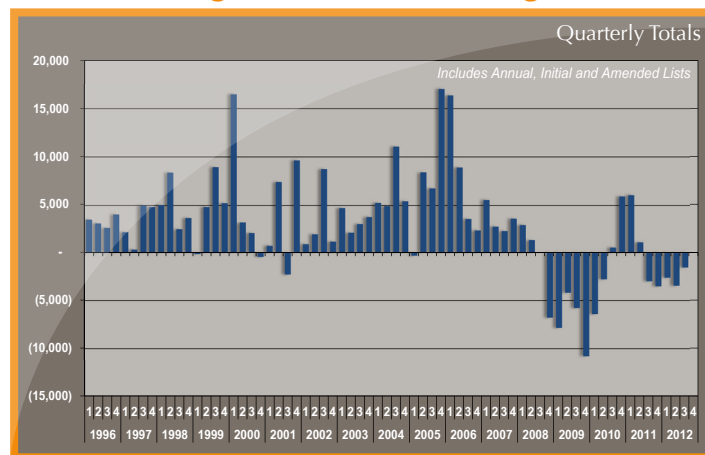
	Current Value	Prior Period			Prior Year		
		Value	Change	% Change	Value	Change	% Change
TOTAL LIST FILINGS [2]							
Corporations	30,405	32,900	(2,495)	-7.6% ▼	31,662	(1,257)	-4.0% ▼
Limited Partnerships	3,099	3,422	(323)	-9.4% ▼	3,375	(276)	-8.2% ▼
Limited Liability Companies	33,590	36,726	(3,136)	-8.5% ▼	33,648	(58)	-0.2% ▼
Limited Liability Partnerships and Business Trusts	297	232	65	28.0% ▲	222	75	33.8% ▲
TOTAL	67,391	73,280	(5,889)	-8.0% ▼	68,907	(1,516)	-2.2% ▼
NEW FILINGS - DOMESTIC (NEVADA) ENTITIES [3]							
Corporations	4,014	4,186	(172)	-4.1% ▼	4,153	(139)	-3.3% ▼
Limited Partnerships	147	156	(9)	-5.8% ▼	241	(94)	-39.0% ▼
Limited Liability Companies	7,915	8,910	(995)	-11.2% ▼	8,681	(766)	-8.8% ▼
Limited Liability Partnerships and Business Trusts	37	30	7	23.3% ▲	31	6	19.4% ▲
TOTAL	12,113	13,282	(1,169)	-8.8% ▼	13,106	(993)	-7.6% ▼
NEW FILINGS - FOREIGN (NON-NEVADA) ENTITIES [3]							
Corporations	474	521	(47)	-9.0% ▼	510	(36)	-7.1% ▼
Limited Partnerships	14	13	1	7.7% ▲	20	(6)	-30.0% ▼
Limited Liability Companies	474	466	8	1.7% ▲	410	64	15.6% ▲
Limited Liability Partnerships and Business Trusts	6	4	2	50.0% ▲	4	2	50.0% ▲
TOTAL	968	1,004	(36)	-3.6% ▼	944	24	2.5% ▲
NEW FILINGS - TOTAL (DOMESTIC & FOREIGN) [3]							
Corporations	4,488	4,707	(219)	-4.7% ▼	4,663	(175)	-3.8% ▼
Limited Partnerships	161	169	(8)	-4.7% ▼	261	(100)	-38.3% ▼
Limited Liability Companies	8,389	9,376	(987)	-10.5% ▼	9,091	(702)	-7.7% ▼
Limited Liability Partnerships and Business Trusts	43	34	9	26.5% ▲	35	8	22.9% ▲
TOTAL	13,081	14,286	(1,205)	-8.4% ▼	14,050	(969)	-6.9% ▼
KEY ECONOMIC INDICATORS							
Employment [4]	1,139,500	1,136,300	3,200	0.3% ▲	1,133,300	6,200	0.5% ▲
Unemployment [4]	11.2%	11.9%	-0.7%	- ▼	13.6%	-2.4%	- ▼
Initial Jobless Claims	49,625	51,542	(1,917)	-3.7% ▼	54,168	(4,543)	-8.4% ▼
Bankruptcies - Chapter 7 [5]	2,831	3,143	(312)	-9.9% ▼	3,958	(1,127)	-28.5% ▼
Bankruptcies - Chapter 11 [5]	65	81	(16)	-19.8% ▼	93	(28)	-30.1% ▼
Bankruptcies - Chapter 13 [5]	580	676	(96)	-14.2% ▼	1,048	(468)	-44.7% ▼

[1] Indicator values reflect three month quarterly totals, unless otherwise noted. [2] Includes annual, initial and amended lists. [3] New entity registration/qualification filings. [4] As of the end of the reporting period. [5] Current value is based on the trailing 3-months ending September 2012

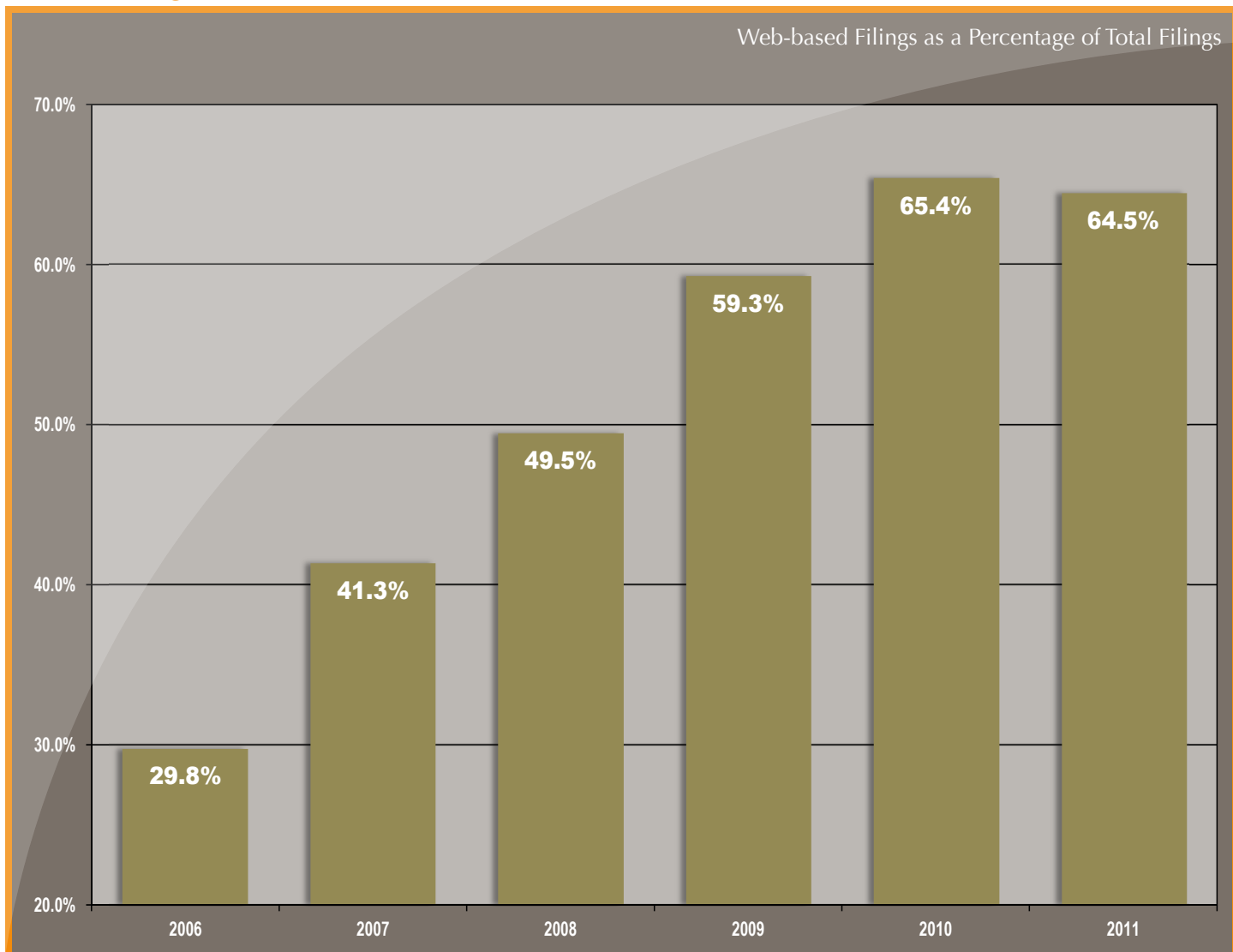
Annual Change in New Entity Filings



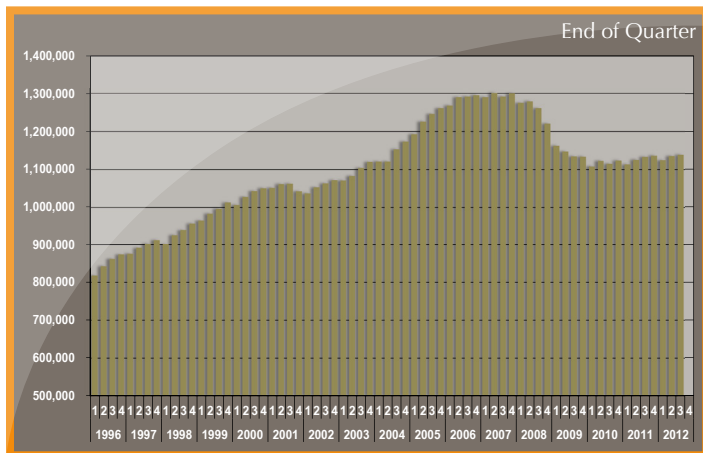
Annual Change in Total List Filings



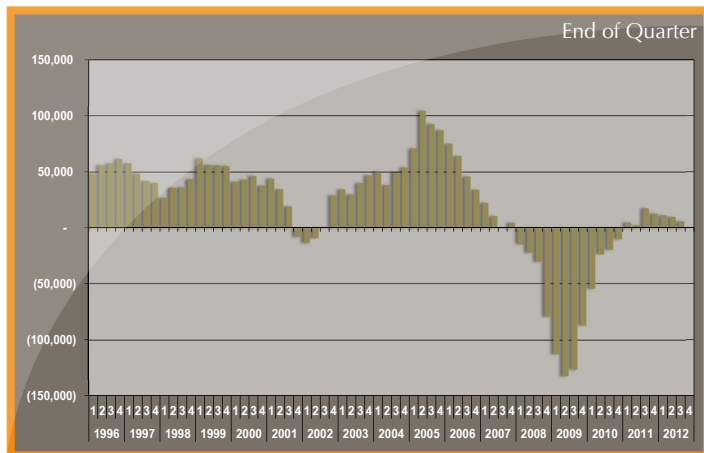
On-line Filing Utilization



Employment



Annual Change in Employment



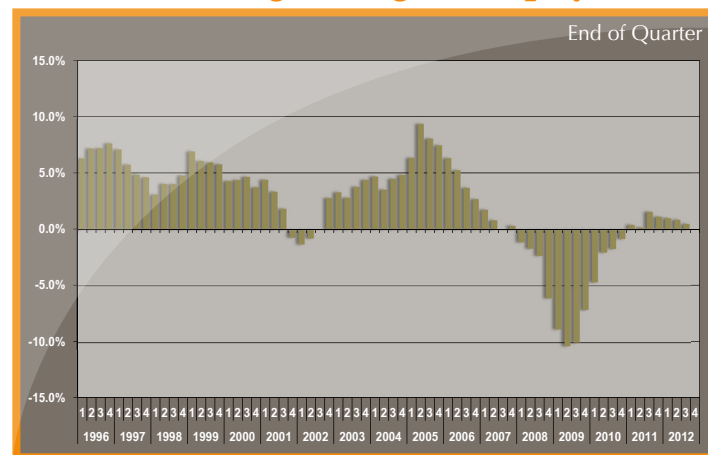
Annual Indicators ^[1]

Twelve Months Ended September 2012

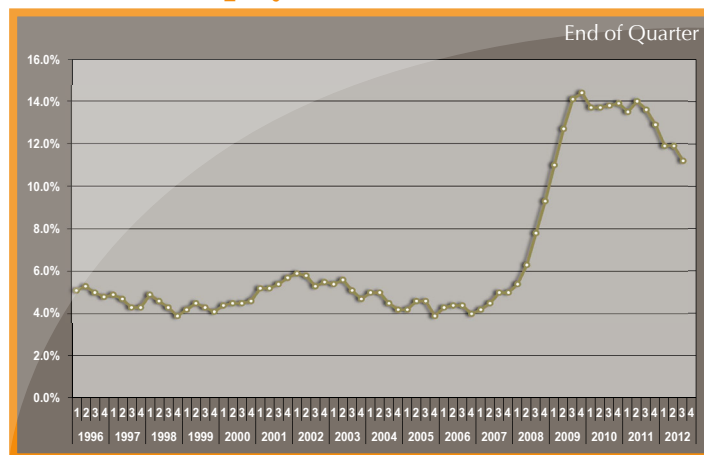
Current Quarter	Current Value	Prior Period			Prior Year		
		Value	Change	% Change	Value	Change	% Change
TOTAL LIST FILINGS [2]							
Corporations	129,813	131,070	(1,257)	-1.0% ▼	137,990	(8,177)	-5.9% ▼
Limited Partnerships	13,806	14,082	(276)	-2.0% ▼	15,136	(1,330)	-8.8% ▼
Limited Liability Companies	139,342	139,400	(58)	0.0% ▼	140,962	(1,620)	-1.1% ▼
Limited Liability Partnerships and Business Trusts	980	905	75	8.3% ▲	934	46	4.9% ▲
TOTAL	283,941	285,457	(1,516)	-0.5% ▼	295,022	(11,081)	-3.8% ▼
NEW FILINGS - DOMESTIC (NEVADA) ENTITIES [3]							
Corporations	16,712	16,851	(139)	-0.8% ▼	17,938	(1,226)	-6.8% ▼
Limited Partnerships	759	853	(94)	-11.0% ▼	925	(166)	-17.9% ▼
Limited Liability Companies	34,540	35,306	(766)	-2.2% ▼	36,184	(1,644)	-4.5% ▼
Limited Liability Partnerships and Business Trusts	122	116	6	5.2% ▲	200	(78)	-39.0% ▼
TOTAL	52,133	53,126	(993)	-1.9% ▼	55,247	(3,114)	-5.6% ▼
NEW FILINGS - FOREIGN (NON-NEVADA) ENTITIES [3]							
Corporations	1,993	2,029	(36)	-1.8% ▼	2,186	(193)	-8.8% ▼
Limited Partnerships	66	72	(6)	-8.3% ▼	82	(16)	-19.5% ▼
Limited Liability Companies	1,797	1,733	64	3.7% ▲	1,811	(14)	-0.8% ▼
Limited Liability Partnerships and Business Trusts	24	22	2	9.1% ▲	24	-	0.0% ►
TOTAL	3,880	3,856	24	0.6% ▲	4,103	(223)	-5.4% ▼
NEW FILINGS - TOTAL (DOMESTIC & FOREIGN) [3]							
Corporations	18,705	18,880	(175)	-0.9% ▼	20,124	(1,419)	-7.1% ▼
Limited Partnerships	825	925	(100)	-10.8% ▼	1,007	(182)	-18.1% ▼
Limited Liability Companies	36,337	37,039	(702)	-1.9% ▼	37,995	(1,658)	-4.4% ▼
Limited Liability Partnerships and Business Trusts	146	138	8	5.8% ▲	224	(78)	-34.8% ▼
TOTAL	56,013	56,982	(969)	-1.7% ▼	59,350	(3,337)	-5.6% ▼
KEY ECONOMIC INDICATORS							
Employment [4]	1,139,500	1,136,300	3,200	0.3% ▲	1,133,300	6,200	0.5% ▲
Unemployment [4]	11.2%	11.9%	-0.7%	- ▼	13.6%	-2.4%	- ▼
Initial Jobless Claims	219,323	223,866	(4,543)	-2.0% ▼	243,785	(24,462)	-10.0% ▼
Bankruptcies - Chapter 7 [5]	12,322	13,449	(1,127)	-8.4% ▼	15,987	(3,665)	-22.9% ▼
Bankruptcies - Chapter 11 [5]	292	320	(28)	-8.8% ▼	360	(68)	-18.9% ▼
Bankruptcies - Chapter 13 [5]	2,803	3,271	(468)	-14.3% ▼	4,855	(2,052)	-42.3% ▼

[1] Indicator values reflect twelve month quarterly totals, unless otherwise noted. [2] Includes annual, initial and amended lists. [3] New entity registration/qualification filings. [4] As of the end of the reporting period. [5] Current value is based on the trailing 3-months ending September 2012

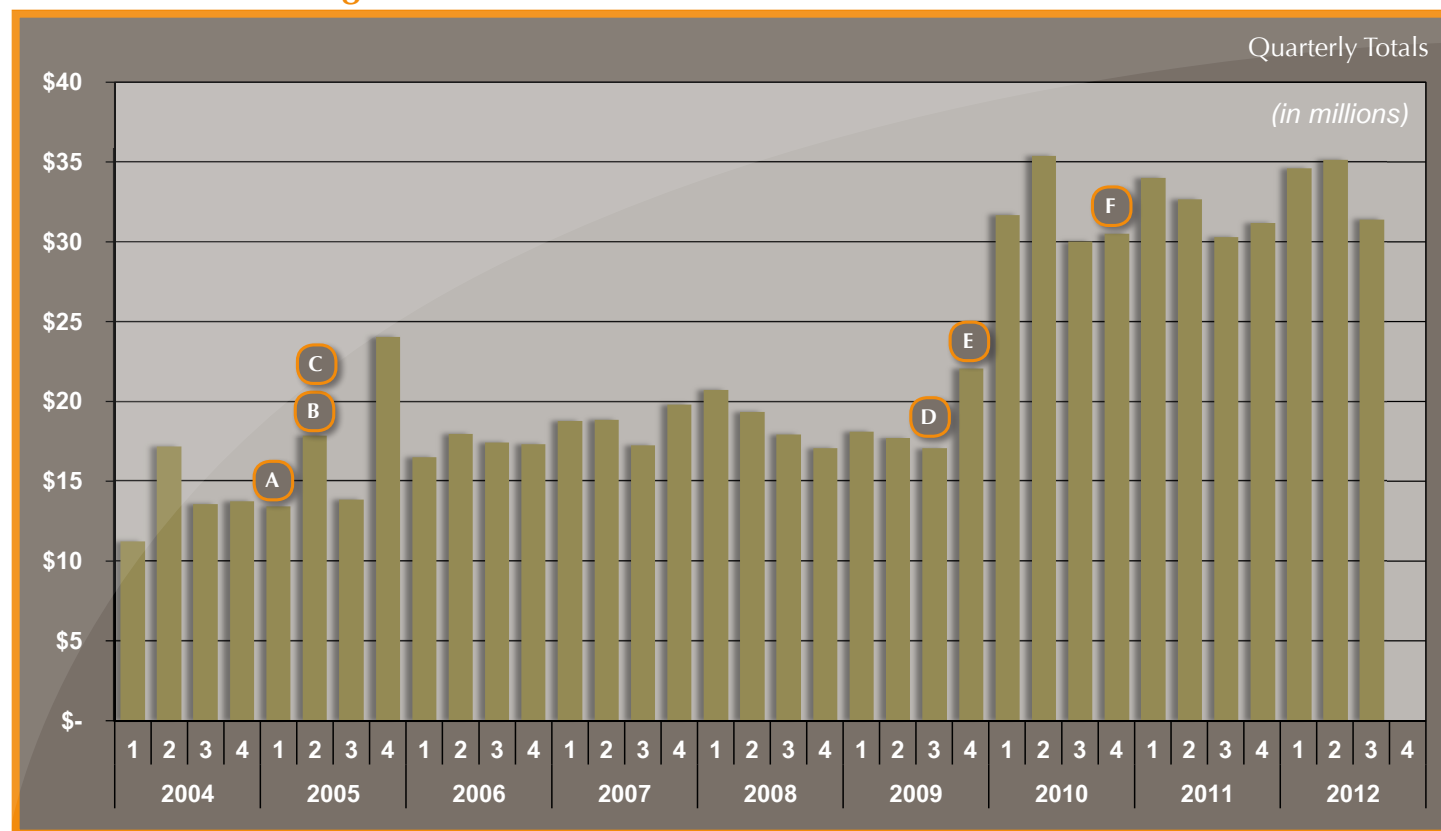
Annual Percentage Change in Employment



Nevada Unemployment Rate



Commercial Recordings Revenue



1991 – Major overhaul of Nevada business law, including the start of a business friendly environment (Delaware of the west), limited liability companies (LLCs) available in Nevada

1997 to 1998 – Implementation of floater division and changes in processes and staffing to reduce turnaround time from 8 to 10-plus weeks to 10 days or less

Q1 2001 – Height of filing increases preceding economic downturn and the events of September 11, 2001

October 1, 2001 – Fee increases in response to economic downturn, representing the first fee increases in 10 years; filing fees for articles rose from \$125 to \$175; initial lists increased from \$85 to \$165; and other fee increases were implemented

October 1, 2003 – Another significant fee change occurred: annual lists increased from \$85 to \$125 with a maximum of \$11,100 based on capitalization; new filings fee decreased from \$175 to \$75 and the maximum raised from \$25,000 to \$35,000 based on capitalization

- A January 29, 2005** – Implementation of e-SoS processing system for commercial recordings
- B April 2005** – Implementation of online services for initial, amended and annual lists
- C Q2 2005** – Peak of new filing increases
- D July 1, 2009** – Nevada state business license fee increased from \$100 to \$200 annually
- E October 1, 2009** – Nevada state business license authority transferred from the Department of Taxation to the Secretary of State of Nevada
- F December 2010** – Implementation of online articles services allowing customers to file new domestic corporations and limited liability companies (LLCs) online



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Ross Miller became the youngest Secretary of State in America and the youngest in Nevada history when he was elected in 2006. Unanimously selected by his peers to serve as President of the National Association of Secretaries of State for 2012, Ross' record of achievement since taking office reflects a true commitment to accountability and results. His accomplishments reflect a combination of enthusiasm for the job, and a vision for serving his constituents.



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Analyst's Assessment

“Economic performance measures within the Nevada economy remain mixed. Sectors that continue to lead the way include education and health services, while the tourism industry builds on momentum from the trough in the latest cycle. Despite improvements in selected areas, others remain challenged, including the hard-hit construction sector and fiscally impacted government sector. With new and annual business entity filings treading in negative territory, the prospects for strengthening employment growth in the coming quarters is somewhat limited. Concerns about business retention statewide are also on the rise.

While overall conditions remain fragile, employment growth has managed to remain in positive territory, business investment is up over the past 12 months, and there is increasing chatter surrounding business relocations. While development activity is a fraction of historical norms, there are some notable casino-hotel and commercial projects moving forward; north and south, urban and rural. As expected, the recovery has been protracted and inconsistent. The looming fiscal cliff and the very real challenges associated with paying back unprecedented levels of individual, corporate and government debt will be the defining factor in the year to come, both nationally and in Nevada.”

- **Jeremy Aguero**
Principal Analyst, Applied Analysis

Domestic (Nevada) Entities vs. Foreign (Non-Nevada) Entities – A domestic entity is an entity created pursuant to Nevada Law that may or may not have nexus in Nevada. Its formation documents are on file and a matter of public record in the office of the Secretary of State. A foreign entity is an entity created pursuant to the laws of a jurisdiction other than Nevada, which is qualified to do business in Nevada. Generally, most foreign entities have some sort of nexus in Nevada because they qualify so they may conduct business in Nevada.

Leading vs. Lagging Indicators – Generally, a lagging indicator is a measurable economic factor that changes after the economy has already begun to follow a particular trend or pattern. A leading indicator is a measurable economic factor that changes before the economy starts to follow a particular trend or pattern. Leading indicators can be used to predict changes in the economy. In this instance, new business entity filings provide directional insight into investments and business formation in the State of Nevada.

Information contained herein has been obtained from various sources deemed reliable. We have no reason to doubt its accuracy, but we do not guarantee it. **Applied Analysis** is a Nevada-based advisory services firm founded in 1997. We are an information and analysis resource for both the public and private sectors. Our team has extensive experience in economics, real estate, hospitality, gaming, information technology and finance. We apply this knowledge in an effort to develop creative solutions to our client's challenges. To put it simply, we are a solutions resource. Our firm is guided by our core values – integrity, diligence and dedication. Our future is branded by the success of our clients and the quality of our professionals. Our commitment lies therein.

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